



September 5, 2002

Regulation Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street NW  
Washington, DC 20552

Sent by e-mail to: regs.comments@ots.treas.gov

Attention: No. 2002-27

Ladies and Gentlemen:

Webster Bank appreciates this opportunity to comment on the proposed Customer Identification Programs for Banks, Savings Associations, and Credit Unions under 12 CFR Part 563. Webster Bank is a \$12 billion federal savings bank located in Connecticut. Webster Bank and its subsidiaries and affiliates ("Webster") provides business and consumer banking, mortgage, trust and investment services through more than 100 banking offices, 210 ATMs and the Internet. While Webster agrees with the goal of the Customer Identification Program (CIP) proposal to assist in preventing and detecting money laundering and the financing of terrorism, Webster believes that the steps needed to comply with some of the provisions of the proposal will be challenging, unduly burdensome and costly.

The comments that follow are in the order addressed in the proposal.

**When an Applicant becomes a "Customer"**

Loan and lease applications are submitted through various delivery channels -- face-to-face at branch offices, through the Internet, by our sales representatives (nationwide), by mail, etc. In the application process, which may take anywhere from two days to two months, Webster gathers the necessary financial and nonpublic personal information needed to approve or deny the loan or lease. Some of the required information, such as identification documentation, may not be presented until the closing of the loan or lease. When a loan or lease is approved and the transaction closes, the applicant becomes a customer. If the loan or lease is not approved, the applicant does not become a customer and will not have an ongoing relationship with Webster. Webster requests that the regulators reconsider the definition of "customer". We believe that an individual or representative of a business should not be considered a customer who is subject to the verification and recordkeeping requirements, until an account is opened and funded, or a loan or lease transaction closes.

**Transfers of Loan Assets and the Definition of "Customer"**

From time to time, Webster purchases loans that are originated by an unrelated bank, or Webster may purchase part of loan extended by another bank. Webster may purchase loans in syndication with other banks or loans in novation where a portion of the loan is assigned to the purchasing bank. In each of these types of purchases Webster has a direct legal relationship with the borrower under the loan's legal documentation, but Webster did not originate the loan. Webster may also buy a portion of a loan from the origination bank (a participation), but have no direct relationship with the borrower under the loan's legal documentation. Webster questions whether these transfers of loan assets are covered by the proposed regulation. Are these borrowers considered to be customers of Webster? Webster believes that additional guidance on this issue is necessary.

### **Information Required for Non-US Persons**

Many Permanent Resident Aliens have driver's licenses and Taxpayer Identification Numbers (TINs). We do not know whether these individuals are U.S. citizens or not. Since we are able to view an applicant's driver's license and the applicant has a TIN, we do not ask for other identification documentation such as a Permanent Resident Alien card or Passport. Webster questions if we would be required to ask each applicant, "Are you a U.S. person?" Would we need to determine if an applicant is a Permanent Resident Alien? Webster requests additional guidance on this issue.

### **Verification of Information Required for Taxpayer Identification Number**

The preamble to the proposal states, "...the CIP must contain risk-based procedures for verifying the information that the bank obtains..." Webster questions if this means that we are required to verify that the TIN provided by an applicant actually belongs to that applicant. Consumers are now advised in privacy publications, such as the Federal Trade Commission's, ID Theft, When Bad Things Happen To Your Good Name publication, not to carry their Social Security Cards in their wallets. At the present time, we cannot place an inquiry with the Social Security Administration to match a TIN to an applicant. However, our systems can detect if a TIN is obviously incorrect (e.g. 000-00-0011). Webster requests confirmation that we are not required to verify that the TIN provided by the applicant belongs to the applicant, and that we are only required to verify that the TIN is not obviously incorrect.

### **Verification of Information Required for Mailing Address**

Another requirement is to obtain an applicant's mailing address if it is different from his/her residence or place of business. Webster questions whether this means that we are required to verify that the applicant is receiving mail at his/her mailing address. If required, Webster requests that the regulators provide examples of acceptable verification methods. Webster requests additional guidance on this issue.

### **Identification Verification for Multiple Owners or Signatories on an Account**

When opening a deposit account at a branch office for consumers, it is commonplace for a branch to open a joint account with only one of the joint owners present. The decision to open or deny an account is based on verifying the identity of the applicant who is present. Webster does not require all applicants to be present at the branch office in order to open an account. Nor do we have a process in place to verify the identity of an applicant who is not present (such as requiring the individual to visit the branch and present acceptable ID, or requesting a credit report on the individual). When a business entity with multiple signatories applies for a deposit account, the account-opening decision is based on verifying the business entity, not the multiple signatories. Webster does not require the signatories to visit an office and present identification. Under the Fair Credit Reporting Act, we cannot obtain credit reports on signatories without their authorization. To implement an identification verification process for all new account applicants (including all joint owners and multiple signatories on business accounts) would be burdensome, costly and impossible to have in place for the effective date of October 25, 2002. Webster requests the regulators reconsider the verification procedure requirements for accounts with multiple owners or signatories.

### **Identification Verification for Beneficiaries**

When a testamentary account, Individual Retirement Account or other retirement account is opened, Webster obtains information on the beneficiaries, such as name, address, and date of birth. We do not, however, obtain identification documentation for the beneficiaries since ownership only passes to the beneficiaries upon the death of the owner. Privacy regulations prohibit us from informing the beneficiaries that the account exists. We seek confirmation that the identification verification provision does not apply to a beneficiaries of a testamentary or retirement account.

### **Identification Verification for Existing Customers applying for a New Account after October 25, 2002**

The majority of Webster's customers have been banking with us (or banking with an institution acquired by Webster) for at least 12 months. When these customers applied for their accounts, they provided personal and private information, identification documentation and other

documentation, as needed. These customers then transacted business on their accounts. Transactions, such as wiring funds, depositing and cashing checks, paying-off loans, drawing on credit lines and closing on new loans established them as customers. One of the criteria that we use in the decision-making process is the length and history of customers' relationships with Webster. Webster suggests that it is reasonable and prudent to make an exception to the CIP requirements for existing customers. Webster requests the regulators to "grandfather" existing customers and exempt them from the CIP requirements.

#### **Recordkeeping for Identification Documentation**

The proposal requires that financial institutions must "maintain a copy of the document that the bank relied on" to identify the applicant, such as a copy of the drivers license. It also requires that the records used to verify information must be retained for five years after the account is closed. Webster's current practice is to enter the ID information on the account records (e.g. entering the drivers license information on the signature card and in our database). We do not retain a copy of the driver's license. Some applications are taken at the applicant's home or workplace, which generally does not present the ability to make copies of documents. Although the proposal indicates that retaining a copy of the license in a loan file would not violate Regulation B, this practice would be contrary to the industry standard. The cost of copying and safeguarding such information, as well as ensuring that systems are developed to centralize and retrieve the information (such as imaging), makes this part of the proposal impractical and unduly burdensome. Webster requests the regulators revise this requirement by indicating that a notation of the identification information on account records (such as a signature card or loan application form) would be considered compliant with the rule.

#### **Recordkeeping for Sold Residential Mortgage Loans**

The record retention period under the proposal is for five years after an account is closed. The majority of Webster's residential mortgage loans are sold, servicing released. We do not own or service these loans, and we do not retain copies of the loan files. Webster questions whether it is sufficient to obtain the original file from the investor, if needed in the future. There also may be situations in which the investor subsequently sells a loan to another investor who is not subject to CIP, and the loan documents may be destroyed earlier than five years after the account is closed. Webster requests additional guidance on this issue.

#### **Extension of Time**

Due to the extensive work needed to revise procedures and policies to comply with the CIP regulation, Webster believes that additional time between issuance of the final regulation and the effective date of the CIP regulation must be allowed. Webster recommends a six-month extension.

#### **Conclusion**

Webster supports the goal of the Customer Identification Program proposal to assist in detecting and preventing money laundering and the financing of terrorism. Webster believes that with the above revisions and clarifications included in the final regulation, the banking industry will be able to develop and implement viable and effective Customer Identification Programs.

Thank you for the opportunity to present our views. If you need additional information or clarification, please feel free to contact me at (203) 741-4760 or e-mail to [khawley@websterbank.com](mailto:khawley@websterbank.com).

Sincerely,

Karen P. Hawley  
Vice President  
Anti-Money Laundering/Bank Secrecy Act Officer